Trading Update

Tuesday, 13 November 2019

Opening remarks

Pete Redfern

Chief Executive, Taylor Wimpey

Thank you. Good morning, everybody. Thanks for joining us. I'll apologise in advance because I've got a bit of a cold. So, if I start coughing half way through and have to stop, you'll understand why.

I'll give you an overview of current trading and the statement, first of all. I'll touch on some of the strategic areas that we've been focusing on which I think are important, and perhaps go into a little more detail than usual at this stage of the year on some of those moving parts because I think it's an interesting time. I think you see differentiation in the sector. And I think obviously you see an uncertain external environment, so it's worth exploring a little bit more.

You will understand, I'm sure, it's also a difficult environment in which to give longer-term forward guidance and it's also a trading update. So, happy to talk about where we see the moving parts, but with the general election only a few weeks away, it's a particularly unusual time.

I'll focus on the market first, obviously the main priority of a trading update, but touch on the cost environment, land buying conditions, and then move onto those strategic programmes.

Standing back and looking at the housing market in 2019 from a broad perspective, I think, still very fair to say an amazing degree of resilience given the market backdrop.

Usual factors, things I won't repeat, like low interest rates and good lending Help to Buy – help to create an environment where pricing and volumes remain broadly stable. But I do think it gets more interesting when you look geographically and look at closer periods of time. I think you can see in our statement and you perhaps heard in probably slightly more negative terms from one or two peers, London and the South East remains softer, particularly higher price points.

I think I wouldn't want to be a London-focused developer at the moment. I think it is particularly tough if you hadn't got choices across the UK as a whole. I do think though, and it has coloured our comments in the statement, that actually the noise and the pressure in London and the South East in the market was at its worst a few weeks ago.

If you think of the political rhetoric commentary and uncertainty in September and early October, it was at its greatest. And actually I think that the environment has settled again a bit more recently. And that leads to the comment – our comments in the statement, where actually perhaps slightly more benign than you've seen elsewhere.

I do think relatively in that period we saw some price pressure in that part of that market, not huge but I guess a more difficult local market backdrop. You can see why it's put pressure, as I say, on a very London-centric developer.

I think elsewhere the market has remained pretty steady, small rises or falls, depending very much on local conditions, individual sites, the quality where the competition sits. I will come back to this but we do continue to challenge ourselves on whether we're operating at the optimum balance of rate and price. We think we are, but as you see in the hints in the

statement, it's not a one-way street and we're certainly, as we look at 2020, going to keep challenging that and it will depend on the market environment as to what we think the right balance will be.

On build cost, you can see quite strongly I think in the statement we see the period of increased pressure that we saw in quarter one and quarter two ease. That started to be true in the summer but in a fairly small way. But I think, again, I will point back to the period of uncertainty in September and October, but here in a positive way. I think we have seen since then, and particularly over the last few weeks, a much more material shift in both labour and materials as pressure has eased.

It's not the time of year when we do lots of material-related deals but the signs for 2020 price pressure on materials are quite a lot softer than they were. I think personally it's too early to call a number, to call a forecast but definitely the environment is different to what we saw six months ago and also more benign than we saw 12 months ago. And for the first time, we've also seen some softening on forward rates on labour. And again, it's early days, it's particular trades but it's the kind of trades, particularly ground workers where you tend to see the first sign about the slight change in conditions. And I think if you look at what was happening in R&M sector in September and October, what's happening in more general construction market, which are softer than house building, has been, you can see why you get a general easing of pressure.

And we did not see in the build-up to the potential of a no-deal Brexit in October, the same kind of stocking pressures that we saw earlier in the year as the supply chain built up. And so as we look at January, I think, the risk of seeing that again is lower than we would have said perhaps six months ago.

I mean, we stand by our 4% to 5% cost inflation for this year but reducing into next. But as I say, I think early to put a number on it.

On land, I think there's less new to say but it's worth reiterating overall market more or less in line with the recent past. You do see some localised changes in bidding behaviour but I wouldn't say that that's more or less aggressive. I think you see more companies really testing and challenging whether they've got their land-buying strategies right at the local level. So, you start to see more bids going in from local businesses that then get walked back or generally a higher price that perhaps doesn't make it all the way to the final land deal.

So, you see a little bit of apparent pressure but actually when you get to the final deal, the land price actually has been pretty stable. And as you can see from our statement, our land buying this year will be broadly neutral as in we'll replace more or less what we use. I think earlier in the year we could've seen that growing to build potential growth in outlook numbers for next year. With the uncertainty in the second half of the year politically we felt that the neutral is the right balance. Exact numbers and exact cash balance will depend on timing of land deals around the year and itself, but broadly a neutral position.

On to our trading against that general market backdrop, as you can see, the sales rate has remained very strong for the year, 19% ahead of last year. And if you strip out bulk sales and I'll touch on a couple of specific shorter-term ones, quite small but I think important from a signal point of view, actually the underlying sales rate is about 18% ahead of last year. So, it really is ordinary sales to private customers that is driving that difference.

Those shorter term bulk sales are small but Central London focused. And that slight balance of slightly more volumes, slightly more – slightly less margin comes a little bit from clearing out small amounts of stock but at relatively high price point from Central London sites, which you think given the continued uncertainty in the London market is the right place to be.

That leaves us with the Central London business that has three large sites with a long time to run with very solid margins, two of which are joint venture deals and all of which we feel give a pretty solid underpin for that business. So, it lets us be in the land market but not feel we need to do anything particularly risky to stay in the London business into the medium term.

Just touching on other sales metrics, really nothing to say. Other things like appointment bookings, cancellation rates remain solid. Overall, this leaves us with a record order book and I think uncertainty for general election, uncertainty of new year Brexit, that's a very good place to be of 10,400 units.

The growth in that is heavily weighted towards private sales. So, it's not artificially inflated by a change in affordable housing. Again, it's driven by those high sales rates – and you see the way the volumes are coming through into the business, that we're able to get behind those high sales rates with high production rates as well.

On cost and by extension margins, of course we're aware that's an area where you'd reasonably question whether we're getting the balance quite right and whether we're slightly lagging some of our competitors. I think you can see some of the comments about margin pressure and cost inflation that we talked about in the earlier in the year coming through in other parts of the sector. And I think I stand by we'll tell you what we see when we see it and we won't lose too much sleep over whether people are saying exactly the same thing at the same time.

But we are also challenging ourselves. I think there are areas in our controllable costs where we can push out some inefficiencies. We've done a lot of things with the business over the course of the last two to three years, lots of new investments. I'll touch on a couple of those and we don't want to walk those investments back. We think they're the right thing, both for short-term but also more importantly for the long-term.

But that does mean there's a lot going on in the business and it means there's other areas where I think we can target some savings over the course for the next six months.

Just touching briefly on some of those investments, I point particularly to 640 apprentices. In year one, an apprentice, doesn't add very much. In year two, they don't add very much. In year three, they get close to doing a full day's work. I think that number of 640 underpins long-term an investment that takes us to more than half of our bricklayers and joiners coming from apprentices and being in direct trade. That's a very meaningful shift. It's way ahead of where we've been. It's way ahead of where anybody else in the sector has been.

To give you a sense of the level of cost investments in 2019 in that number, that's already in the guidance we're giving you, it's about £10 million incrementally to 2018. So, it's material. And there's a few other areas where we're doing similar sorts of things. But the industry faces a long-term shortage in trades and it faces a long-term challenge in the quality and flexibility of those trades.

And people talk about modern methods of construction. I'm slightly more interested in having a flexible workforce that actually can adapt to different methods than the exact details of what the method of construction is.

I think there's a lot of things there that are more appropriate for our results presentation and we'll come back to it then. But I would just lastly draw your attention to the distinction we're drawing on customer service between finishing quality service and communication, which is a thing that we talked about a lot and others are also focused on, which drives things like the NHBC customer five-star rating but underlying build quality. Which frankly has no impact on that rating but is just as important long-term for customer satisfaction, for our reputation, for our forward cost base and for delivering something to our customers that is right.

And whilst we continue to focus on the first, actually in 2019, the area we've been really focused on is the underlying build quality piece. We think the CQR measure that we talked to you about before is the best way of measuring it. We now lead the industry in that. We started off in a good place but we've gradually built on that. That gives us the confidence that we can step up build rates to match those higher sales rates without compromising on that quality and storing up problems for the future.

I think there will be a lot of pressure over the next few years on the industry on those sorts of issues and I think it puts us in a strong place to deal with it. I'm not ignoring the fact that we slightly slipped under the five-star rating but it is only a part of the story. And yeah, we'll continue to focus on that but we'll focus on quite a broad range of measures.

So, looking forward, we remain in a strong position, strong balance sheet, slightly cautious on land spend but a similar land bank at the end of the year to last year. And 60% plus of that coming from strategic land bank with 130,000 plots in that strategic pipeline going forward. Record order book and the step-ups in build capacity mean that we can manage that and still deliver strong customer service.

Political and environmental backdrop is uncertain. We see 2019 in line on profit. As I've touched on, slightly different mix with slightly lower margins. And to give you a clearer steer on that, yeah, we'd guided you to about 20%. I think I would say at the moment 19.6%, 19.7% is about the right sort of level but with slightly more volume. And unusual in a year, particularly with such an uncertain market to be stepping up volume.

As we look at 2020 sat here today, I expect us to target a slightly lower sales rate but just to be clear, that would still be an industry-leading sales rate and well ahead of our 2018 sales rate. So, I'll still expect it to start with a nine but we don't want to be in a position where we're chasing something. We want to be able to focus on making sure we squeeze out the optimum pricing and the optimum cost base. So, we want to give ourselves the flex to do that properly next year and not be chasing some thing that isn't quite right.

But as we look at next year, it's a very uncertain environment, as I say. There will be still some cost headwind going into it, but there's a lot of things we can do within the business on squeezing out a bit more value to offset that.

Chris, is there anything I've missed?

Chris Carney: No, I think that covers everything. Probably worth moving onto questions.

Pete Redfern: Okay, thank you. Can we open up for questions, please?

Q&A

Operator: Thank you. Ladies and gentlemen, we would now begin the question and answer session. And if you wish to ask a question, you will need to press star and one on your telephone keypad.

Once again, if you wish to ask a question, you will need to press star and one on your telephone keypad. And your first question comes from the line of Brijesh Siya from HSBC. Your line is now open.

Brijesh Siya (HSBC): Thank you. Good morning, Pete and Chris. Two questions from my side. First one is on operating margin guidance. You're guiding to a 30 basis point year in – I mean, reduction from the H1 level. What's actually driving that? On one hand you are saying the cost inflation has eased off a bit in the second – in the recent weeks and you are again guiding for a higher volume growth than what you guided in H1. So, that's my first.

And second one if you could elaborate little bit on the pricing pressure, especially in London and South East region? Is it more site specific or in more general, you are seeing – it's just an high-priced market or are you seeing some weakness in the, what you call, a mass volume range around £400,000 to £600,000?

Pete Redfern: Sorry, can I just check on the first question? Was the specific question related to the operating margin that the change from half one to half two.

Brijesh Siya: It's more specific to the full year guidance of 20% coming on by 30 basis points which you're guiding now.

Pete Redfern: Okay.

Brijesh Siya: It is more relates to build cost inflation or slightly more cost price pressures. So, what exactly driving that number down?

Pete Redfern: Okay. So, on the pricing pressure in the South East, first of all, it is very much site by site and it is very much weighted towards larger sites. And it also, as I say, is probably a few weeks old now, so I'd say right now it's pretty flat. And it's actually more about a few more incentives. Inevitably, in the September-October period of the year you see competitors filling their order books for final year-end numbers. So, it tends to be a period of year when there is a little bit more price pressure. You add to that the political backdrop and it's not hard to understand.

It's not huge. If I have to put a number on it for London and South East, it would be 1% to 1.5% on average for that part of the market but heavily weighted to higher price points and to Central London.

On the operating margin, then looking at full year and the movement year-on-year, we talked about quite a lot in both April and in the half year. So, I'm really just overviewing that because the movement since then has been small. I think there are two main areas. The first is seeing cost inflation where we haven't seen material sales price inflation and I would say that is order of magnitude 1% of the movement. We see cost inflation of averaging probably about 4% for a year-on-year impact.

The softening in cost inflation over recent weeks has almost no impact on 2019 at all because the dye is cast on that. It's about 2020 and beyond. The other main movement I think year-on-year is the investments that we have made in underlying build quality, which is heavily weighted towards site management resource on site, and on things like the apprentice programme which I touched on earlier.

I think that's a short 1%, it's not quite as much as that. It's in that sort of territory if you add it all together. I think the difference between what we might have expected at the beginning of the year is that we haven't had any price offset against that and we continue to see that higher build cost inflation. And the investments were investments we expected to make but we didn't expect to have quite such an environment in which to be making them.

Brijesh Siya: Thank you.

Operator: Thank you. And your next question comes from the line of Aynsley Lammin from Canaccord. Your line is now open.

Aynsley Lammin (Canaccord Genuity): Thanks. Morning. Just two from me. First of all, one that if you could comment a bit more generally on any changes to incentives or part exchange use in the second half? And secondly, just your comment on the land bank keeping broadly as it was at the end of 2018. Should we read from that the average site numbers for 2020 at this point are expected to be flat year-on-year with 2019? Thanks.

Pete Redfern: Yeah. Thank you, particularly for the second question Aynsley. I meant to mention that one in my overview comments and I forgot. Yeah, I think that's a fair assumption going into the year. You know we have weighting towards larger sites, so the outlook numbers and the site numbers are pretty resilient, but with a flat land bank we don't expect it to grow materially, so pretty much where we are at the moment.

I think on incentives and I'll touch specifically on part exchange, apart from that shorter-term piece in London and the South East with slightly more incentives in September and early October, I don't think any overall net change in a more general sense. I think as we go into next year, we will be pushing on price but we don't know whether the market will allow it. I think we've seen the flat pricing and we've taken the sales rates but we haven't had to incentivise in any meaningful way to get there.

I think on part exchange, very small movements. I would say we've probably used slightly more but concentrated on one or two businesses in Midlands and the North with higher price points. So, just making sure we get liquidity and if anything see that is easing off over the next three or four months rather than increasing. And the movements, if you looked at it at the national level I don't think you'd notice a difference. We don't expect to have a particularly meaningful part exchange book at the end of the year or anything like that. It's relatively small changes as people look at local conditions, local sites.

Aynsley Lammin: All very clear. Thanks very much.

Pete Redfern: No problem.

Operator: Thank you. And your next question comes from the line of Chris Millington from Numis. Your line is now open.

Chris Millington (Numis): Good morning guys.

Pete Redfern: Hi Chris. Morning.

Chris Millington: Hi. Just a few if I may. Firstly, I just wondered if you could comment about the move down in net cash this year. I assume it's a timing of land spend point, but would we expect a bit a bounce back as we go into 2020? I understand it's quite a difficult one to call. So, that's the first one.

Second one, I just wondered if you could just detail a little bit about what you're actually doing to improve the underlying build quality. I agree it's an important point for the set, but just a bit more clarity there.

And the final one is just really about the medium-term margin target of the 2021-2022, and apologies, I was away at the interims so maybe you touched on it then. But is this still a valid target going forward in the environment we're in, or do we need to see somewhat more inflation to get back to that level?

Pete Redfern: Thanks Chris. I will definitely give Chris the cash question. And actually, though I will touch on the build quality and the cost, Chris. If there is anything you want to add then on that, please do so. Similarly on the margin target.

On build quality, Chris, I think as I touched on, the main thing we're doing, the biggest change it's to do with the amount of resource we're putting on to sites. It's not just in the finishing area. It's giving our site managers the tools, and sometimes that can be – we have a model where an ordinary site, if there is such a thing, runs with the site manager and an assistant site manager. And we're giving them more resource than that.

And that is to manage the quality piece, it's to actually properly do inspections and not to rely solely on spot inspections by the NHBC, which are fine when they happen, but are only ever going to pick up broad issues. But it's also about a balance of consistency across the business. So, as I touched on in the statement, we've introduced a national build quality standard across all areas. Now, that may seem very basic. In most industries, that would be normal, but it's hard to express how much of a shift that is for an industry which is based on local sites conditions and local standards and expectations.

So, we don't just operate the NHBC standards. We operate to what a broad – generally a slightly higher level of standard, but also our specification for foundations, our specification for fire stopping, how that's actually inspected. All have been rolled out with a standard format that's an absolute minimum level. And in most instances, actually, a maximum level as well because – yeah, if I look back, we have such a wide range of standards. It would be very hard to then go back and say, actually, consistently, everything should sit at this level.

And that – whereas I think the whole industry has started to think about that from a customer-facing, obvious, 'What does the customer see when they walk through the door?' the paperwork and are things finished. It's deeper than that, and I think the move of build regulations that we'll see over the next two or three years will make those sorts of moves essential. Being able to deal with a combination of a new homes ombudsman who will have a standard build quality set of expectations, and a changing environment on social media, and a set of changed build regs, I think it will be essential to have those resource levels and consistency on site.

And we've been working on it for a while, but I think 2019 is where you're seeing most of that investment, particularly on site resources, change.

I think we're touching on the cost side. Some of the earlier investments we've made on the more customer-facing side, whilst we still think they are right, actually, you can start to see the benefits of those. And there are some efficiencies on numbers that we can get out of those. To, still deliver that same service, but without – when you're catching up slightly as we were in that area two or three years ago, actually you need slightly more resource to get over the hump.

And then maybe a bit about on build quality in a couple of years' time, but right now it's getting efficiency back into the service side of the process, and making sure we've got a level of quality that we can really rely on it, even if a customer won't know about it, for five or ten years.

Chris Millington: Got you.

Pete Redfern: And then of the medium-term margin target, it's entirely a fair question. I mean, it's a trading update. I'm not going to duck the question, but I'm not going to give you an absolute answer. We obviously have thought about it. What I would say is, there is nothing we have seen over the course of the last 12 months, not the investments that I've talked about or land buying that would lead us to feel that it's the wrong target.

It has always been, in – every guidance we've ever given has been based on broadly selling prices and cost offsetting each other. They are never relied on net inflation between the two, but inevitably, if we saw a long-term environment where selling prices were flat and costs continue to inflate materially, then we would have to really question that guidance. But we have never felt – and nothing about the last year has changed this view. We've never felt that's a particularly likely environment to see. You can get it for a year, but you could already see cost pressures start to ameliorate. And one of the reasons is because selling prices are not so strong, so industry demand is more questioning.

So, I don't think anything we've seen changes that. We've got to investments that we've made that aren't yet paying off. We've got some efficiencies that I think we can squeeze out because we've been doing a lot of things for the business and we need to get back to a little bit more simplicity. And we've got an area where we've not seen any selling price inflation and seeing the tail end of the cost inflation.

But as I say, I'm not going to sit here today and tell you, here's the bridge. This is the year we get there. That's the debate for prelims and through the course of 2020.

But I don't think – and I would tell you if I did, and I think I'll give Chris the chance to comment as well. But I don't think we've seen anything that says no, that's just not the right guidance. That's just wrong now. I don't think the world has changed that much. We said we expected to see two or three years where things will be choppy. Choppy means it will be good periods and weaker periods, and I don't think my view on that has changed.

So, Chris, specifically on cash, do feel free to comment.

Chris Carney: Well, just following on from that, it's worth bearing in mind that last year, we were well within that range between 21% and 22%. And that was of contribution margin that were between 25% and 26%. And obviously you've seen in the data that we disclosed at the half year that since around about 2016, we've been acquiring land at margins more like 27%. So, there's nothing, as Pete says, that leads us to believe that as long as those house price

inflation and build cost inflation offset over the medium term, that that target shouldn't be achievable.

On the cash, obviously, there's a lot of completions still to happen between now and the year-end, and a number of land opportunities which are in progress and could crystallise either side at the year-end, depending on how they proceed. And whilst £500 million remains our guidance, I would see slightly more risk of overperforming on that than underperforming. The only thing to flag for 2020, which I don't think will be a surprise, is, obviously, there's a slightly new regime in terms of corporation tax payments. So, we will have six quarterly payments so that's two more than normal in 2020, and that adds up to about £70 million.

Chris Millington: Got you. That was very thorough. Thank you gentlemen.

Pete Redfern: No problem, Chris.

Operator: Thank you. And your next question comes from the line of Gavin Jago from Peel Hunt. Your line is now open.

Gavin Jago (Peel Hunt): Good morning gents.

Pete Redfern: Hi Gavin.

Gavin Jago: Yeah, just a couple for me please. The first one just following on Chris's point, actually just around the build costs and HPI. Just rolling the clock back, I guess, to the last time we did have a prolonged period of flat-to-down house prices. Can you just remind us, Pete, how long typically or how long it has taken before the build cost moved into flat to negative territory, just to get a sense of what that like might be?

And then second one is just around the focus on the customer quality. We quizzed a couple of others in the space about not just the, 'Would you recommend this particular house?' but what the nine-month survey shows. And I just wonder if you would be happy to share with us what the differential between your rating eight weeks versus nine months is, given that focus on quality you've been talking about?

Pete Redfern: Yeah, I think on the build cost, house price inflation relationship, historically, I'll answer the question. I think because the environment we're looking at is slightly different, I don't think it's necessarily quite the same degree or necessarily quite the same timing. So, I think – and by that, I mean the degree is probably less, the timing is probably quicker.

So, if you look at a major housing market downturn, I'd say in that environment, it probably takes six months before you see a meaningful change in prices. And that means it's 12 months before you see that coming through the P&L in a meaningful way. I actually think in this environment, it's slightly quicker because it's not such big movements. And we're looking at an environment – and at the end of day there are no guarantees, but our expectation is not from major housing downturn, it's for a period where there's affordability pressure on prices. So, prices remain, at best, in line with underlying inflation and wage inflation.

And actually, in that environment, the build cost movements which you're seeing are – we've moved to an environment in the very short-term, where we still seeing inflationary pressure on build costs, but it's just a lot less than it was six months ago. That can happen quite quickly because literally it could be to how that particular vendor feels about of their order book in the very short-term.

So, I think we're talking about 2% to 3% movements either way, not the 10% to 15% savings of build cost that we saw in a major downturn. So, I think that can therefore happen more quickly.

So, I think it can impact on 2020. I think what is too early to call is putting a number on that. I think we feel a lot of confidence that it's lower than 2019, and probably lower than we thought going into 2019.

But is that 1% to 2% or is that flat? Or even by the back end of next year are there some net savings to make, we don't know at the moment. And I think that will depend on general election, Brexit, overall confidence, confidence in R&M and other parts of the construction sector as well as in house building. So, it is early to call.

But I think we could see P&L impacts in the second half of next year, there's no doubt, but it does take time.

Gavin Jago: Thank you.

Chris Carney: And just on the customer satisfaction, Gavin, at the half year and the full year, we actually disclosed those numbers in our KPIs. So, at the half year, the eight week was 89 and the nine month was 77. I don't have the up-to-date numbers.

Pete Redfern: I don't either. Yeah, and that would be a fairly normal spread. And Chris is right, we disclosed them because we think that they're a useful part of the basket customer services measures to talk about as well. I would say they start to, but don't actually – they're not long-term enough to cover some of the build quality things we're talking about. They cover more than the initial impression on moving in, which is what the survey that everybody is very focused comes in. So, I think it's worth looking at, but they don't look at underlying build quality quite the way we're talking about. So, I think at the end of the day, it's easy for us and for you to focus on a very small number of measures. We get that. I'm not trying to say oh, you should look at six or seven things. I'm just stressing the point that don't base all of your views on one measure or line.

Gavin Jago: Sure, all right, thanks very much.

Operator: Thank you. And your next question comes from the line of Jon Bell from Deutsche Bank. Your line is now open.

Jon Bell (Deutsche Bank): Good morning, Pete. Morning, Chris. I've got a few actually. The first one is on the bulk sales. Could you tell us which London schemes you did those out and how many units there were? And maybe you could also isolate the margin effects there as well. It doesn't sound like is a big number given your previous comments, but just be interested to know.

And then the second one really is around, if we take a step back from your business, you've got very high sales rate. We can see some of the pressure on outlet numbers, and we can see some of the pressure on margins. How can we be sure that you're not trading price for volume for margin here?

Pete Redfern: Yeah, okay. So, on the bulk sale, I don't want to go into the specifics, on exactly what site. It doesn’t feel right. It's not that I'm particularly sensitive from a company point of view, but there are specific deals with specific people. We're talking about 70 units,

just to give you a sense of scale. And I'm happy to talk about the margin; in fact the total impact of Central London bulk sales on margin is about 0.2%, so that gives you a sense. And that's heavily weighted towards the second half.

That is why I'd say they're the main movement between the first half and the second half. Yeah, it's not enormous. I think you would understand that the logic of clearing stock. They are not – I would say, on our three larger, longer-term sites like Mount Pleasant in Clapham. So, you'll probably work it out, but it just doesn't quite feel right to be so specific when it's individual sales.

I think how can you be sure that we're not trading volume price? There is always a balance, Jon, so I don't think we would ever say to you, we're not. I think everybody in the sector, it's just what that trade is exactly and where it sits. And I would say, if you said there is a 1% trade-off – and I'm absolutely sure there isn't a 1% net trade-off on price, but a 1% trade-off on build – on cost invested and build capacity and price for sales rates that are 18% better, is that a trade-off we should take in this environment or not? And I would argue that's a pretty balanced judgment.

If there was a 3% trade-off, we'd absolutely not be doing it because I think we still think the high-margin business is generally a better quality business. But there is a balance to take there. As I go into next year, and it's why you see the flag in there, I'd like to push that balance, or at least have the choice to push that balance a little bit for towards price and volume. But we've just been through budget reviews with 24 businesses, and some of them we said, 'No, we don't want you to do that volume. We think you'd to give up too much, and you'd be stretching that site, and you haven't got the stocks of lands to replace it.'

On some of them we said, 'No, that balance feels about right.' We've erred slightly towards taking volume out of what they would choose to do rather than putting it in. But there is always a trade-off, and it would be wrong to imply that there wasn't. The trade-off is just not very big, and we are testing it. So, we will go into next year on 1st January increasing our prices, and we will see what happens in the marketplace.

And we will test those high sales rates against that balance. So, the question is not, are we trading volume for price, because everybody does all the time. It's is, is the trade off the right one at the moment in this environment for the mix of sites we've got, for the large sites that we've got? And I think it is, but you can take from the comments in the statement that it's borderline. And as I go into the next year, I want the choice to switch it back the other way a bit, but not a lot.

Jon Bell: Yeah. Could I ask one additional question as well just on the margin outlook for next year? I know there are some moving parts that we're not sure of yet, so build, cost inflation, house price inflation. If we were to take those off of the table, what about the impact of some of these legacy London schemes dropping out of the mix? Is there a positive benefit going into 2020 from that moving part in isolation?

Chris Carney: Yeah, I mean, Jon, you'll know that I've touched on this a couple of times over the course of the year. And yes, at this point in time and assuming that London pricing stays exactly where we think it's at the moment, then that shift in for the Central London business is probably about 40 bps year-on-year.

Jon Bell: Okay, thank you gents.

Chris Carney: No problem.

Operator: Thank you, and your next question comes from the line of Ami Galla from Citi. Your line is now open.

Ami Galla (Citi): Thank you guys. Just two questions from me. The first one is if you could talk a bit more about, are there any further investments in costs that we should be thinking about when we look into 2020? And the second one really is on Help to Buy. Have you seen any shift in the demand or sentiment for Help to Buy in the last six months? And to what extent the customer mix also has shifted across the different customer base that you see?

Pete Redfern: So, I think there hasn't been any meaningful change in Help to Buy. The percentages and the split geographically across products is broadly the same. And I don't think I could point to any meaningful shift in the customer base nor I think are we expecting any meaningful shift in product size and customer base as we look into 2020.

Could you just repeat the first question sorry?

Ami Galla: My first question was just on the cost side. Are there further investments into 2020 when we look at – you've touched upon the efficiency that you're expecting, but are there any further projects that you're looking into in terms of investment?

Pete Redfern: I think the simple answer is no. I think at the moment we're looking at making sure we bed in and really see through, and hence the comments about focus on efficiency, the projects that we've already done. I think the one thing I would just note is if you take, for instance, the apprentice piece, as I say the cost in 2019 was about £10 million. I think if you look at a full year cost at the current run rate, which is more or less what we expect the next year, that will be about £14 million. So, where we expect take a bit of efficiency out of some of the more process side of these, so it's a bit of an offset there, if you see what I mean.

So I wouldn't flag any particularly new investments. There's one or two where we're just seeing through the things that we've already done.

Ami Galla: Thank you.

Operator: Thank you. And your next question comes from the line of Andy Murphy from Whitman Howard. Your line is now open.

Andy Murphy (Whitman Howard): Thank you. Good morning Pete. Good morning Chris.

Pete Redfern: Hi Andy.

Chris Carney: Hi Andy.

Andy Murphy: Couple of questions, if I can. Just thinking about politics and the forthcoming elections, do you foresee any material changes, should the Conservative party retain power? And the same question in the event Labour was to come in, what changes to the housing policy, housing market would you anticipate potentially occurring there?

And then secondly, just given what's happening in the High Street and the rundown of the retail real estate, whether that's throwing up any opportunities for you to think about investing in brownfield sites in the central areas as opposed to perhaps the more traditional greenfield sites.

Pete Redfern: Yeah, I think on the election, first of all, you didn't ask this piece, but we haven't really touched on it, so, I'll cover it as well. I don't think we expect to see any meaningful short-term softness from the election itself. Forget the result of the election which was your question which I'll come back to.

But at the moment, we haven't seen any material changing customer sentiment. If anything, I would say in the last couple of weeks, as people have started to think about the election, it's got a bit better rather than a bit worse simply because people got something else to focus on, if you see what I mean, that moves like the political can a bit further down the road.

So, this thing about oh, will sales rate massively soften? Well, a) we're coming into a period of the year where – part of the year when they would anyway. And b) they never tend to with an election, and we haven't seen a different pattern. I think – and I've been through, and I don't remember, to be honest, whether it's four or five, but a decent number of elections in this job. And to me, I'll characterise where we are at the moment pre-manifesto, at the point of maximum promise and minimum deliverability. So, if you talk in any general election what each party had promised and done, and assumed that it was actually implemented, you'd either be extremely pleased or extremely scared. And both of them in reality nearly always turn out to have been massively overstated.

I think you would see inevitably through the manifesto process, policy promises narrow in a bit. And then in reality, I think we'll have six months, whoever wins, and even longer probably if there's any kind of coalition or hung parliament, where the focus is not on policy initiatives. The focus is on Brexit uncertainty and how you take political decisions in a new and different world.

So, I think it would be actually wrong to get too excited for this election in particular about different policy pieces.

Then going on to the individual parties, I think to a certain extent, the Conservative policies around housing are more or less steady as she goes. I think there are some things on build regs I think will happen in terms of timing of build regs in the process, regardless of which party is in power, and we've already touched on those.

But on the more economic side of housing, I don't see a big change. I hope you see with the new Conservative government more investment in affordable housing. I think it's necessary for the long-term health of housing in a more general sense, but I lack confidence in that.

I think a Labour majority, as opposed to a Labour-led coalition or hung parliament, is probably the hardest one to actually call because you have got some very strong promises. As I say, I think some of those will change and develop as time goes on. But it is the hardest one. It does make you nervous because there are things in there, you think that is a very untested set of directions. I think there's a long way to go before we should be seeing that primary risk.

I think on the High Street, yes and no. I think that if you talk – if you picture the High Street, we generally picture small sites, and just don't work for our model. But I don't think that changes that there is an underlying interest as land use changes, and we absolutely continue to be interested in brownfield sites, and having – they just need to be big enough for us to be able to run our model.

We've gone – and it is not that they have to be 300 units, but 20-25 unit site do not work for us. We have been there before in the past, and actually, if you look back at the value generated in it, it isn’t significant enough. They need to be scale sites of a 100 units or more for us to be interested, but absolutely interested in Brownfield sites and changing in land use.

Andy Murphy: Right, okay, thank you very much.

Operator: Thank you, and your next question comes from the line of Gregor Kuglitsch from UBS. Your line is now open.

Gregor Kuglitsch (UBS): Hi, thanks for taking my question. I just want to come back to the margin trajectory. I appreciate the comment on the midterm, but this year, obviously, is a down year in the neighbourhood of 200 bps. How confident are you that you can be stable next year? I appreciate there's lots of variables up, down, and obviously some tailwinds, some headwinds. But I wanted to explore your confidence there.

And then on cash, again, you flag the additional tax, which I think is widely known. But just to confirm, were you suggesting cash will drawdown, be stable next year or I didn't quite catch what the bottom line message was – obviously, considering the fact that you're committing to £610 million of dividend payments. Thank you.

Pete Redfern: I'll let Chris pick up the cash question. On confidence in margin for next year, I think I'm not trying to give you false confidence, Gregor. We haven't given a strong margin steer for next year because there are too many moving parts. We expect there still to be some cost headwind. We don't know what the selling price environment will be like.

You should take the signal that our focus will weight slightly more to margin on the basis of price, particularly, rather than volume. But it's slightly more. We want to be in a position, strong order book and all of those other levers, where we can make the most of the market that's there. But it would be artificial to say – we think there is margin pressure across the sector. We think we haven't seen the end of that for the sector generally, and we think that's materialised over the last six months, and we told you that was likely six months ago.

So, I really mean what I say, it's not the right time to give you strong guidance. I'm not trying to give you an artificial confidence. What I'm trying to explain to you is what the moving parts are, what we're doing about it, and that we're in control of that. And there are choices that that we make and there are things that we also can't do much about, like the external house price environment.

Gregor Kuglitsch: Go it, thank you.

Chris Carney: Yeah, and on the cash, Gregor, I wasn't really telling you whether it was going to be up or down because, obviously, as we all know, it massively depends on the amount of land investment. But you're quite right. There's £610 million of dividends. There's the extra £70 million in terms of tax payment.

And obviously, we've still got the two exceptional provisions unwinding, and we'd expect that to be in the region of £50 million of cash for next year. So, they are all things you just take into account. But the biggest single lever and decision that we'll have to make next year is on land spend, and it's too early to make that call.

Gregor Kuglitsch: Thank you.

Operator: Thank you, and your next question comes from the line of Sam Cullen from Berenberg. Your line is now open.

Sam Cullen (Berenberg): Thanks, yeah. Good morning everyone.

Pete Redfern: Good morning.

Sam Cullen: Just more, I guess, a conceptual question around the decision to trade for margin and volume. What confidence, I guess have you got that in stepping back on the sales rate, you'll actually be able to achieve higher prices without seeing material reduction in your volumes and leave yourself broadly in a more positive pound note profit contribution position? Just coming from the view that I think most people would think that new build is generally a price taker in the market, given the relatively small percentage of the overall market that it represents?

Pete Redfern: To be honest, Sam I congratulate because you're the first person I can remember on one of these calls, who has asked one question, and I was so readily waiting to note down the second or third question. I was waiting for it. I think in a way, your question is – and it is an interesting one, but it's actually almost exactly the same as Jon's earlier, phrased in the opposite way.

And in a sense, my answer is the same. It's always both. There is always a trade-off, and that's why we have that confidence. What we've been doing through the year, and what we're always doing to some degree is permanently testing that balance, site by site, business by business and across the board.

And our biggest challenge on sales rate, this year was not sales or price, so that's why I say the trade-off on that was our biggest challenge. And we knew this will be the case. The thing we were trying to test and we feel we proven – and internally, you can see a real shift in confidence of people – is that you can get the build right behind those sales rates.

Because if you could sell it at that rate, but can't build, then you end with an order book which grows to a point where it's a pointless exercise. You need to be able to follow it up, and so that's been what we'd been really been testing. But we will continue to test that balance of price, and it would depend on the environment. If it's a very weak housing market – which is not what we're seeing this year. We've seen a stable year with a bit of softness housing market this year.

This is a very – then suddenly it becomes significantly more price sensitive, and that balance shifts, and it's different on every site. So, I think what we see at the moment and where we see a bit of price pressure in just a little bit off the volume, the lack of those Central London bulk sale, those sorts of things give me the confidence that next we can go into it just edging the balance back the other way.

But it will depend on the environment. It always does. And so it's the same question and it's what we do. It's what we do with our business units, and it's what our business units do day in, day out when they release and whether they decide whether to accept a particular offer or put a particular incentive on the site. And we can do lots of little things that just change that balance. Our sales execs will go into next year with just a slightly different weighting of incentive on prices verses volume. So, our management teams, they'll have that margin measure in their annual incentive scheme. And the guidance we've already given them is just

to edge that way a little bit. And at the end of the day, big shifts are rarely right, but it would depend on the environment as to both what we think is the right balance and how much we can push it a bit more towards price.

What we want to do, and why we put in the statement and why we're talking about it, is make it clear to you that we are not trying to become a volume-driven business – where price and margin doesn't matter. We never were, but we thought it was necessary to be explicit on that. And actually, showing that we can tweak it both ways and take what we think is the right strategic decision in different environments with a different mix of land is gives us a strength as a business. That just assuming that sales rates can only ever be 0.7 I think is very limiting when you have the mix of large sites that I think are natural for larger house builders in the current land supply. We want the tools to know that we can operate those in different ways, depending on the environment and the build capacity and quality to back it up as well.

So, we can go into next year and if the market is broadly similar, just tweak it the other way and talk to you about that you'll understand how we can play that balance.

Sam Cullen: Okay. Thanks very much.

Operator: Thank you. And your next question comes from the line of John Messenger from Redburn Europe. Your line is now open.

John Messenger (Redburn Europe): Hi. Morning, Pete and Chris. Sorry, apologies, it's two rather than one. Just on the – one of them is following on from the last one, really, in that just the danger obviously sitting outside is we're looking at averages. But when you think about that step-up in sales rate, Pete, two things, really: one, behind the averages, particularly for site numbers, is there a challenge here in some of the smaller or sub-average sites? Is there a sharper fallout of completed sites next year? So, just one issue just in terms of that against the context of flat land buying this year, just to come back on it.

And then, the second one was your point about build. Clearly, is there some kind of measure you look at, in terms of stage of completed units, that gives you confidence that going through that an 18% hike in what you need to be building out on site? Again, on the average, it must have created challenges. Is that something that, again, you're feeling pretty comfortable and confident that that order book for next year – stripping out a bit of London and maybe some longer term completions in it – that is all, I guess, stuff that should cycle through in the first six months, in terms of being built out and completed? So, just whatever your feel is, really, around those aspects.

And then, the second one was just a year ago, one of the ingredients in your build cost inflation was the fact that you'd had some pretty good deals in the past and, I think, some slightly longer-term supply arrangements. When we sit here and take a view about cost inflation next year, can we just have an idea, of your materials, are some of those on two-year deals or is everything up for review going into next year, in terms of material costs and what you might have to sign up or, where are you at? Is it half of your materials that you'll be renegotiating or is it all of them? Just to have an idea of what you could actually do to help the P&L next year.

Pete Redfern: Yeah. Okay. And I'm going to charitably call that 1A, 1B, and 1C, John.

John Messenger: All right.

Pete Redfern: I reckon there were three in there. But I don't mind three questions. I was just genuinely listening for Sam's next one. So, is there a challenge in smaller and sub-average size? In a sense, have we traded through the opportunity to get those higher sales rates during 2019 and that, therefore, that then gets commensurately harder by 2020? Is that a better – is that a different way of raising the same question?

John Messenger: No, it's pretty – that's a much better way.

Pete Redfern: Yeah. Sorry, I didn't mean to say it was better, but that slipped out.

John Messenger: No.

Pete Redfern: Yeah. No, I don't think there is. I think it's a very valid question because I think there could be that. And as I say, you go to budget reviews of individual businesses, there's definitely one or two businesses, inevitably, that don't have the larger sites and that, therefore, shouldn't be adopting that sort of model. And then you have to say, 'No, no, no, not you guys. You need to sort of trade through those sites.' That's built into our views of sales rates. But that was true of in 2019, as well. So, I don't think that we have traded through a short-term opportunity to increase sales rates on larger sites and then we get to the end of – you can see that inherently, in just the overall land bank numbers and the land bank structure, if you see what I mean, you could still – you could still have it at a local level, but it will be hard for that to be true, systemically, because our average site size is larger.

John Messenger: Yeah.

Pete Redfern: I mean, your underlying driver behind that is absolutely right. It varies a lot from site to site and it should. What we are sort of learning and coaching our businesses on is when it's a good thing to do and it can be done right and when it can't. Because if you haven't got on that site a long forward land bank or in a particular business level where that business is shorter of land, then absolutely, they shouldn't be racing through it a pace. And that balance between price and volume should absolutely change and it does.

But no, I don't think we've traded through an opportunity and then got a problem to deal with. I think on the build, you're absolutely right. As I say, it was the bit that we were least sure about coming into the year is, can you deliver on build. And I have to say, our businesses lacked that competence certainly 18 months ago. I think, through the second half of 2018, that confidence started to build. We've used the CQR measures, being our best independent view of build quality, and it's been really encouraging that that has ticked up even as we've been stepping up rates. And we can see those rates stepping up consistently. And we've looked quite closely at making sure that happens on the right sites in the right way. It has cost us because we've made sure we put the resources in. And that's what we promised our businesses, that we're not just going to ask you to increase production by 20% but expect you to do it with the same team that was struggling to keep the quality right at the level you're operating at before.

So, we led with the resources slightly to make sure that we can manage it. I think particularly, if you look at the NHBC, 'Would you recommend?' score, I think it would be fair to say our low point was December 2018 and that was as we have been stepping up the build. And it wasn't about quality. Actually, the quality measures in those scores remain very strong in that CQR measure, but there's no doubt we were getting our timings lined up then. So, we have more

people moving in in December 2018 that we had expected to move in in earlier. And that does impact on the score. So, there's no doubt that that's part of that adjustment. It's not huge, you know?

And just to put it in perspective, we will probably be in this customer care year to October, a four star builder, but at about 89.5% rather than the 90%, 90.5%. So, you're talking about very small movements and that December timing, I think, is the meaningful shift year-on-year, you know? And actually, as long as we're getting the quality right and the finish right, I think we have to live with that shift a little bit. And now, our teams have got their communication better, you can see that that coming back. And so, it gives them challenges, but I think we're pretty confident that those challenges have been dealt with properly rather than just race through it and focus on delivering it.

And it's the same, you can tell the way we're talking about it. It's something we spend a lot of time talking about and analysing and trying to make sure we get that balance right.

And also then, on order book, I am therefore quite – I don't think it changes the quality of the order book in any sense into – I think, you've seen a lot of people across the sector – and I understand this because in the short term, it's true. A long order book makes it harder to manage customer service because you are less certain about the delivery time when you take the reservation. That's the single biggest shift. And I think what we're trying to do is not say, well, the easy thing to do is just have a shorter order book because that causes all sorts of other problems. The better thing to do is get better at managing your build timings and, as I've talked about before, get more process orientated, think about sites as more of a production line and a factory. But that takes the resources to do it properly. And so, it's not free, but we feel we've got that balance about right and, through the next couple of years, we'll test it and tweak it and try and optimise it and get a bit of the cost back out of it and make it as efficient as possible. But it's quite a big strategic shift.

And then, going on to the second question on build cost inflation, there are some two-year deals. You can see it in the cost environment we see today, that's good and bad, if you see what I mean. Do we want to be going back and renegotiating things in a slightly more benign environment? Or would we rather have prices that are fixed? I'd say, probably slightly more than half are just two years. Probably just over half will be renegotiated this year, to give you a sense. And we'll probably – I am sure, when we are sat down in February, talk you through how we see that in a lot more detail because I think we'll have a pretty good feel for it then.

John Messenger: Got you. And so, that CQR that you talk about, Pete, is there an industry benchmark or what is the industry at? And is it a score out of five?

Pete Redfern: Yeah. It is a score out of five. It's an – oh, sorry, it is a score out of six. It is a half-year – sorry, it is an industry standard, but not everybody in the industry publishes it. So, we can see, without names on it, where we sit in a league table of our peers, so we know our relative performance as well as our year-on-year relative performance.

Some don't publish it at all. One or two don't use it. So, they don't – there's a cost to actually having the assessments done and one or two – most do use it now, but not many publish it. And it's – I would – you always have to be very careful. We pushed quite hard a few years ago to get more focus and more attention on the NHBC customer survey and we're not going away from that and we're certainly not going away from it, just because our scores were 89.5%

rather than 90.5%. But, it is important to understand there is a broader piece and if you look at some of the regulatory pieces – if you look at some of the things that people get challenged with their reputation in the press or on social media, actually, it's often things that would never ever have appeared on that – within that five star rating because it's so short-term. It tells you how people feel when they move in. That's an important thing to understand, but it isn't the whole story.

John Messenger: Great. Thanks very much.

Pete Redfern: No problem.

Operator: Thank you. And your next question comes from the line of Glynis Johnson from Jefferies. Your line is now open.

Glynis Johnson (Jefferies): Good morning, gents. I have to apologise for my voice and my coughing as well. So, hopefully, you can still understand me. Two questions, if I may. The first one, just in terms of the reference of the £50 million of cash outs for exceptionals. Can I double-check, if that is including the pension top-up or is that about the cash outs for the provisions that you've taken for cladding and leasehold?

And then, the second one was just clarifying something that you said, Pete. I just want to make sure I understood it properly. We obviously only see the 12 months rolling of the HBF rating. Did you say in October, you anticipate being four star? Because I'm conscious that October is what's published in March with the actual star rating, so I just want to make sure I understood what you said.

Pete Redfern: Yeah, I mean, I'll pick up that one and then Chris can pick up the cash one. Yeah, that is pretty much what I said. It is a 12-month piece. We haven't got full results, but you can see – and statistically, there aren't too many to come in. As I say, we're at 89 point something at the moment and it's not impossible. I think our last two months' scores at the moment are sort about 92 point something. But actually, statistically, at this point, we probably will, annoyingly, be just under 90%, rather than just over 90%.

Chris Carney: Yeah. And on the cash, Glynis, yeah, the £50 million related to the leasehold and cladding provision unwind expected cash flows in 2020. And you're quite right, the pension contributions will continue at £40 million per annum until the end of 2020 – the triennial valuation. The date is at the end of 2019 but obviously, it takes a number of months to finalise that valuation and then agree the new funding basis.

Glynis Johnson: Thank you very much.

Operator: Thank you. And your next question comes from the line of John Fraser-Andrews from HSBC. Your line is now open.

John Fraser-Andrews (HSBC): Morning, gents. Two for me as well, please. The first one, if you could provide some colour, Pete, on the 1-1.5% price reduction that you're citing in London and the South East? Is this across your whole product in London and the South East or is it the higher parts? And you mentioned that it's got better in recent weeks compared to September, up to mid-October, I think you said. So, have now year-on-year, is that price reduction gone? So, that's the first one.

The second is on volume. Reservation sales rate up 20%, outlets down 8% so far this year. So, when are we going to see the impact of that on your volumes? So, you've cited higher volume than H1 guidance. Perhaps you could give a little bit of colour on volume growth this year and next year? Thank you.

Pete Redfern: So, on the price, John, in London and the South East, I think it's a bit of both. So, I think if you took out London and South East division, then the net price movement isn't as big as 1-1.5% average across that. That's probably more the London comment, but it's also slightly bigger than that on the odd individual site because it is, as we touched on, quite focussed. So, I was just going to give you a sense of the broad movement. So, if you took that as 1-1.5% on average on London sites, that will probably be a reasonable estimate.

Has that now gone? I think that pressure has reduced, but I do think if you look at London, and particularly Central London, I don't think this is about us. I think prices are lower now than they were three or four months ago. So, the pressure has reduced, but prices are at a slightly lower level after that pressure. So, I think we're into more stability again, but I think London has seen that pressure in the short term.

I think – yeah, in terms of volume guidance, I think it's there for 2019 already, you know? I mean, we were fairly clear on our guidance earlier in the year where – I don't think we've been specific today, but we're probably talking about roughly 1% more volume than we were at the half-year, give or take. So, are we up 4% this year, give or take, Chris? It's in that sort of range.

Chris Carney: Yeah.

Pete Redfern: I think it is early for next year. In our outlets, numbers are stable. We have a strong order book. You take, I think, the messaging on just a slight shift in balance towards focussing on margin over volume relative to this year. But also take my comments that we expect sales rates still, all things being equal in the market, to be 0.9-something. So, you shouldn't expect to see volume growth next year unless the market is meaningfully better than that earlier in the year enough for us to shift that balance. So, flattish, I think, is where we sit today, but it's early for us to guide with a general election and Brexit in front of us.

John Fraser-Andrews: Yes. Just – thanks for that. Just a quick supplementary on that price fall. So, the South East has been better than the 1-1.5% contraction, I'm assuming from what you said?

Pete Redfern: Yeah, it's – to be honest, it's more and I wouldn’t normally give you a price guidance on an individual market. I just think that it is an enough of a moving part to want to try to, so apologies if it's less clear. What I'm trying to just avoid is somebody extrapolating that price guidance for the whole of the South East because that is an exaggeration, but it would also be oversimplification to say it's just London. There's a softness around the South East, generally, that is more marked in London. So, if you're trying to work it out mathematically and you looked at our London business of us, give or take 900 units of our business, then 1-1.5% should be reasonable guidance against that.

John Fraser-Andrews: Okay. Thank you.

Operator: That concludes our Q&A session for today. I will now hand over back to Pete Redfern for his closing remarks.

Pete Redfern: Thank you for joining us, and thank you for lots of questions. I just want to make clear I don't object to having more than one question from anybody. I was just particularly impressed that Sam managed to keep it to one because the temptation of more is always great. But I think it's been good to get into a lot of the detail around the choices that we're taking and the decisions in the business. And it's going to be an interesting few weeks with a general election, but looking forward to testing what we can do in 2020. Thank you very much.

[END OF TRANSCRIPT]